Executive Director's Vision Statements

- A CULTURE OF EXCELLENCE

- AGING IN PLACE

- COMMUNITY DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION

- DETROIT PARTNERSHIP

- ENDING HOMELESSNESS

- HOMEOWNERSHIP

- MULTIFAMILY HOUSING

- PRESERVATION OF FEDERALLY ASSSITED HOUSING

- SUPPORTIVE HOUSING

- VOUCHER STRATEGIES

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

A Culture of Excellence

First and foremost, MSHDA will have a culture in which we all are dedicated to our mission, to improving the lives of the people of Michigan. Each of us should have people in our minds as we work.

Our culture must provide frequent opportunities for every staff member to experience the fruits of our labor, to see the faces of our beneficiaries on our walls, to visit completed housing projects, to hear from, and speak to, the people we are here to serve: first-time homebuyers, the elderly, working families trying to keep their heads above water, the homeless, the poor, and persons with special needs. And we must reach a place where we can see that all of our acts are intended to deliver on our mission, or to increase the potential of MSHDA, or to increase our partner's potentials to improve people's lives.

Of equal importance to our focus on mission, each of MSHDA's employees must be able to feel and see that she is valued, and that her contribution makes a positive difference to the people we serve. This means that each employee will be provided the following:

- An environment that nurtures growth through training and mentoring
- The opportunity to serve on teams, performing meaningful work
- Recognition and appreciation individually for their contribution
- Participation on teams that are empowered to tackle challenging tasks with delegated authority where appropriate
- Leadership opportunities
- An environment in which all ideas are encouraged and heard, and the value of inclusion is supported
- An environment that promotes fun in the workplace
- An environment that promotes employee wellness and benefits, including social activities

Our culture must be one in which all staff share a common understanding of where we are going. We must focus on following a plan with goals we strive to achieve, strategies we agree to implement, and methods for measuring our success. Our system for implementation will include the following elements:

- o Five-Year Action Plan with clear goals and strategies
- o Divisional and Functional Team Work Plans
- o Annual Goals and Performance Measures

Every employee has been given the opportunity to help create MSHDA's vision, our roadmap for the next five years. MSHDA employees will also help to create our annual work plan, establish annual goals and create our performance measures.

Our culture must be customer-centric. If we cannot be responsive to the needs of our customers, we are bureaucrats. We must focus on the needs of our customers and our ability

to meet them. We must regularly ask ourselves if we act with speed, if we are flexible where possible, if we can change direction quickly when circumstances demand.   Our job cannot solely be to explain to our customers why they must do things the way we tell them. Instead, we must see ourselves as advocates, working together with our partners, to accomplish more for the benefit of the people we are here to serve.   On a continual basis, staff must be motivated and empowered to improve our processes, and streamline whenever possible to reduce requirements which are unrelated to mission. Ours must be an anti-bureaucracy culture. To that end, ours must be a culture that embraces change, and promotes innovation and entrepreneurship. This implies that our senior managers will encourage and empower line staff to explore opportunities to improve the way in which we conduct business.

Our culture must be one which challenges itself to make more deals happen, to disburse resources faster, to require only what we need of our partners. We must continually listen to our partners; we must measure their satisfaction of our performance.   This must be done in a fashion that is consistent with our focus on mission.

Ours must be a culture in which all of us understand that we will attain our greatest potential only if we allow staff at all levels to make great contributions. Teams, workgroups, and committees must be designed in recognition of the fact that assigning senior managers to oversee them can stunt the growth and creativity of staff, thereby diminishing our collective ability to grow, along with the ability to attain a higher level of performance. Our culture must also allow employees, at all levels, opportunities to lead. They may lead as team members, by providing recommendations for improving processes, by acting as ambassadors out in the community, and by making presentations to partners.   And they must see themselves as leaders.

Our culture must show that we understand, and place a high priority on, the importance of collective action, of collaborating with organizations and agencies for the benefit of the people we serve. Collaboration allows MSHDA to work with the Area Agencies on Aging to bring more hot meals to the elderly in our portfolio, to work with the Department of Human Services and the Michigan Housing Council to bring child care to our family housing, to work with local mental health providers and emergency shelters so the chronically homeless are moved from living in shelters to their own apartments with the supports they need and choose, to work with the Community Economic Development Association of Michigan, the asset building coalitions and Habitat for Humanity to achieve more homeownership opportunities for very low income families, to work with the Community Action Agencies, municipalities, and our state agency partners to revitalize Michigan's downtowns, to work with owners and managers to assure tenants enjoy the highest quality housing and to work with our agents to assure that our housing vouchers serve as a resource to keep Michigan's poorest citizens from ending up on our streets. And we collectively, and individually, must continually reinforce to our external partners the extraordinary virtues and power of working together as one single affordable housing community.   Our culture must support an understanding of the primacy of collaboration because, without it, we are a shell of who we can become

Last, our culture must allow each of us to be visionaries, to challenge ourselves to see a future that is better for the people we serve than we have previously been able to foresee. And to know the pieces of our vision which each of us, and each of our partners brings, combined together, creates our greatest vision and represents our collective potential to make Michigan a more humane and caring community.

Aging in Place

Across the country, states recognize that we will experience a significant increase in demand for elderly housing as the baby boomer generation ages, and life expectancy increases. Our first task is to provide a clear, simple case to educate the public, which describes the scale of the population increase we expect, and the corresponding increase in demand for affordable housing we anticipate in Michigan.

As our population ages, we are also witnessing a change in the consumer preferences of this population. Our pattern of moving our poorest elderly citizens, with the highest levels of acuity, into nursing homes is a model of the past. Our seniors increasingly want to live in their own homes, or to live in complexes that allow them to move within the complex, from independent housing to housing with light levels of services, and finally to facilities that can take care of all of their service needs as they age, and eventually die in these facilities.

There are three major objectives we will need to pursue; first, refinancing or subsequent financing of existing affordable housing stock; second, adding services to existing portfolio projects; third, creation of new elderly housing which allows aging in place.

Strategies for refinancing/subsequent financing

We will want to provide financing to promote conversion of existing housing for the elderly; this strategy will permit seniors to remain in currently financed projects such as HUD 202 projects and LIHTC projects. Typical rehabilitations will include dining rooms, community space, gardens, etc. There will be a few different financing models to pursue.

1.   HUD 202 refinancing, using 4% LIHTC, combined with tax exempt bonds
2.   Preservation financing of MSHDA assets
3.   Rural Development pilot program using 1% debt, 4%LIHTC, and tax exempt bonds
4.   HUD 202 conversion loans

Strategies for adding services

Our due diligence in the preservation area will create an inventory of all federally assisted housing projects. From this inventory, we will need to cull out the elderly projects, and identify which of these projects do not have either service coordinators, or service providers in place. We can then identify the minimum level of services to be offered at each housing practice, e.g., transportation, meals on wheels (as requested), etc. The determination of which services to add should be guided by surveys to the residents. The effort to inventory projects, and identify service needs would benefit from the participation of our partners in this area: the Area Agencies on Aging, the owner/managers, and the Department of Human Services. Together, this partnership will move to bring services to all housing for the elderly where it is desired.

<u>Strategies for new housing production</u>

Our focus will be on the creation of Continuous Care Retirement Communities (CCRCs), the preferred housing models for seniors currently. To date, there are no CCRCs which include affordable housing for our seniors with the most acute needs. We are working with DHS to create a CCRC pilot program over the next two years to link Medicaid funding to projects using LIHTC. Following this, we can examine whether this model merits expansion.

We will also want to provide financing using either 4% or 9% credits with bond financing or private capital for other new housing, which meets the needs of our seniors. Our offerings in this area must be designed to allow feasibility for both independent and congregate housing projects.

As a complement to the strategies listed above, we may want to host an annual senior affordable housing meeting with developers, providers, and residents to evaluate how well our offerings are in meeting the current housing needs. This would support this partnership and provide a forum for ongoing feedback. Alternatively, we could offer a track within the AAA conference.

Community Development and Neighborhood Revitalization

How do we know if we are succeeding in the area of community development? Should we offer programs that provide incentives to rehabilitate marquis or cornerstone projects downtown, offer discounted debt for façade improvement, provide incentives to develop large single-family developments in marginal neighborhoods, or offer rehabilitation financing for single-family homeownership? Should a significant portion of our funds be available for Cool Cities, or comparable initiatives? And how do we know if we succeeded?

The types of activities within the community development area are so diverse, the priorities of different jurisdictions vary so greatly, and our level of resources relative to need so small, that targeting resources to achieve clear policy objectives and specific locally driven goals becomes of utmost importance.

There are five criteria that should frame our work in the community development area. They are as follows:

1. Resources should be targeted to specific geographically designated areas.
2. Activities undertaken should be called out by a formally approved planning document by the local jurisdiction.
3. MSHDA and our partners should recognize that the locality is the appropriate entity to determine its priorities, and whenever possible, the local players should be granted flexibility in the use of funds.
4. Subsidy use should be leveraged, and subsidy usage measured for its efficiency.
5. Assuming the framework outlined above, funding should allow for jurisdictions or sponsors to be opportunistic when extraordinary circumstances present themselves.

The Cool Cities initiative has demonstrated the virtues of interagency cooperation following a thoughtful local planning process. These Cool Cities projects are creating meaningful change in targeted areas both through the allocation of capital, and through incentives, which have promoted local planning processes to detail a future vision for a community. There are other such initiatives in other parts of the country, which have demonstrated similar success. The Federal Reserve Bank, for example, published a study, which concluded targeted in vestment results in lower crime rates, higher single- family appreciation rates, and greater investment of private capital. Given this phenomenon, we will need to repackage our investments in this area so that our precious resources are used to implement local plans in targeted neighborhoods. An example of this is the recently passed "Tipping Point Neighborhoods" initiative.

By definition, all community development initiatives are local. These local players must be at the table in an ongoing fashion as we repackage programs to meet local needs.

Detroit Partnership

The mission of the Detroit Partnership is *"to bring together a broad coalition of interested constituents from the City of Detroit, Michigan state government, the private business sector, nonprofit sector, funders and community residents, to develop and implement a holistic, long-range economic and community development plan."*

Using existing planning structures MSHDA wants to coordinate efforts and resources around comprehensive and prioritized strategies of the partner agencies.

The efforts and resources that MSHDA wants to help inventory, coordinate and support include the following partners and/or initiatives:

- City of Detroit development initiatives;
- Detroit Economic Growth Corporation Initiatives;
- Detroit Office of Neighborhood Commercial Revitalization projects;
- Detroit Renaissance projects;
- Downtown Detroit Partnership projects
- Neighborhood Preservation Program (MSHDA/Office of Community Development);
- Employer-Assisted Homeownership (MSHDA)
- Low-Income Housing Tax Credits (MSHDA and City)
- Multifamily developments (MSHDA)
- 2005 Detroit Cool Cities (State)
- Michigan Economic Development Corporation initiatives;
- Other appropriate state agency efforts;
- Wayne County initiatives;
- Detroit LISC development areas and regions;
- Great Lakes Capital Fund investment initiatives;
- Michigan Interfaith Trust Fund;
- Fannie Mae investment initiatives (Michigan Partnership Office);
- Detroit Foundation Community investment initiatives

Additionally the Community Development Advocates of Detroit (CDAD), whose member agencies include many non-profit CDCs (Community Development Corporations) working throughout the city, and the Habitat for Humanity Detroit, are important stakeholders in these efforts.

Some of the major planning structures where many of these efforts are occurring include:

- Detroit's ten Neighborhood Cluster areas;
- The Mayor's Office of Neighborhood Community Revitalization areas;
- Other City major development areas;
- MSHDA's Neighborhood Preservation Program (NPP) boundaries;
- Michigan's Cool Cities designated neighborhood areas;
- Local Initiatives Support Corporations (LISC) Neighborhoods (NOW) boundaries and development regions;
- Other commonly used neighborhood areas and boundaries.

Another very important component to the partnership involves strategies to address issues that impact housing in Detroit's neighborhoods. Those issues include:

- Land assembly
- Land use
- Tax-reverted property, state, county and local
- Public safety
- Job creation
- Urban parks
- Business parks
- Community centers
- Recreation parks
- Public transportation
- Education

Members have approved the creation of five subcommittees to advance the work of the Partnership; these subcommittees were shaped from key issue areas identified at the first meeting. Nominees to co-chair these subcommittees were selected to assure leadership roles for city staff in the work of these groups. The subcommittees include:

- Inventory of Existing Initiatives and Coordinating Resources
- Housing and Redevelopment of Neighborhoods
- Land Assembly and Use
- Jobs and Economic Development
- Collaboration, Public Awareness and Measurement

State staff has been successful at communicating that the Detroit Partnership will be driven by city/local priorities, and the State's role is to convene, facilitate and identify alignments between local priorities and state resources. As a result, the City has assured active involvement by agreeing to co-chair each of these subcommittees. The subcommittees have committed to meet twice a month through spring to provide a series of recommendations to address key issues in the Partnership's agenda.

Ending Homelessness

At the macro level, there are five challenges we face in our effort to end homelessness in Michigan. They are as follows:

1. Creating a single multiyear plan that articulates a comprehensive, whole cloth approach to ending homelessness which provides for all subpopulations, with a special emphasis on the chronically homeless. It must provide clear direction for implementation and measurement of progress.

2. Establishing a single coordinating structure to implement this plan that spans the entire support system, from the highest levels of decision makers in state government, to the Continuums of Care, to the DHS Community Collaboratives, to the emergency shelters which provide the emergency services, including all applicable housing and service providers. (Any effort, which does not span these groups, will be severely limited in its potential.) This structure must clearly define roles and responsibilities of all constituent groups.

3. Engaging the homeless provider community in Detroit in the statewide effort with an effort customized to the needs of the homeless population in Detroit.

4. Gaining buy-in for all of the above at all levels, particularly at the grass roots levels of the emergency shelters and Continuums of Care.

5. Implementation of a system accountability process.

Over 30,000 Michiganders sleep in emergency shelters or on the streets each night. In Detroit alone, there are 11,000 homeless people each night, 6,000 of who sleep on the streets. A separate and compelling statistic is the approximately 6,000 men and women across the state of Michigan who are chronically homeless. (A person who is chronically homeless has either lived in a shelter or on the street for a minimum of the last 365 days, or has lived in shelters at least four times in the last three years.) This population, which comprises 15-20% of the homeless population, uses 75% of the resources committed to homelessness. They typically have mental health problems, which often are exacerbated by substance abuse problems. These are folks we have abandoned.

Although there is no official policy released at either the state or federal level, we seem to have accepted homelessness as an intractable condition of our society and, as an acceptable alternative for the poorest members of our society here in Michigan. Choices are made both through action and inaction. Homelessness can be eliminated. This is not theory, but fact supported by examples, which exist around the country. In Philadelphia, for example, the city focused on serving the chronically homeless population, and has reduced chronic homelessness by 75% over the last 4 years. This is the most difficult population to house, and yet the leaders of the Philadelphia initiative expect to have completely eliminated chronic homelessness within the next 4 years.

The solution to ending homelessness is not rocket science; neither is it easy. Had it been a simple solution, it would have ended long ago. The basic elements of ending homelessness are providing the poorest members of society with the housing, services, and income supports they

need. To understand how the pieces of this jigsaw puzzle fit together, I have attached two model plans: one from the family policy academy in Michigan, the other from Maine.

The policy academy in Michigan constitutes an excellent platform from which to build. The foundation of a successful campaign to end homelessness must include a core group of senior staff managers that spans across the appropriate state agencies, with individuals who are deeply committed to the cause of ending homelessness. (In the end, it is always the people involved who determine the relative success of an initiative.) This group must have a strong working relationship and members must trust one another. This exists in Michigan. Using this group as a platform, we can begin the process of accomplishing the five objectives cited above.

Ending homelessness requires a clear vision of what we are trying to achieve, the specific strategies we must implement to achieve this vision, a system for measuring our progress, and an agreement to a sustained long-term effort. These elements must bring about significant and meaningful system change that reaches through the shelters, the local service and housing systems, the state agencies, and the federal agencies.

If we accept a vision where people who become homeless are immediately offered the services, housing and income supports to place them in decent, safe, and sanitary housing with the supports they need to put them back on their feet, we can see how critical it is that all sectors of our support system be involved and change in a manner that reaches out to our poorest citizens. This vision might require emergency shelters to see themselves eventually as venues through which our poorest Michiganders receive their services and incomes supports, and are directed to appropriate permanent affordable housing. The state and federal agencies would need to see themselves as partners at the shelters reaching out to provide the appropriate housing and services. Currently, our system of care makes services available; we do not reach out to engage the homeless population as we did, for example, with the Hurricane Katrina evacuees. Instead, we offer services and hope they are used. To succeed, we will need to transform ourselves into a system of care where we proactively reach out into the community and provide the services, income supports, and housing that will end homelessness.

A precondition of transforming our system of care is to gain an understanding of our current level of performance in providing the services the homeless receive. We also need to measure the population of the homeless, the causes of their homelessness, and their needs. We currently do not have data that would tell us the scale of our homeless problem, its causes, and the unmet needs we must address. That said, we do not need to wait for data to implement significant pieces of work.   There is ample data available nationally to inform us of the characteristics of the homeless problem. We know, for example that the single defining characteristic across all members of the homeless population is extreme poverty. (Two state studies showed an average income of $248/month and $350/month. Numerous surveys of the homeless population in shelters have shown that the two items their two top requests are for housing and a job.) We need to move forward with the implementation of strategies and system changes while collecting the data we need to understand this problem at a deeper level, and subsequently amend our strategies to reflect our learning from a better data collection and analysis process.

System accountability must be a key ingredient of any comprehensive approach to ending homelessness. Without a consensus to measure our performance at all levels of the system, our efforts will be of marginal utility.   System accountability is the most powerful tool for promotion of system change which will address the root causes of homelessness. So what is system accountability and how will this work? Here are a few examples. If we measure that

45% of the population in our shelters have mental illness while 5% receive the services they need (a level of effectiveness rating of 11%), we must publish this gap in providing the appropriate services, and examine changes in our mental health system to achieve a more appropriate level of success. If we measure that 80% of the homeless population are eligible for SSI benefits while 10% receive them (a level of effectiveness rating of 12.5%), we will want to hold all elements of the SSI system accountable for achieving a higher level of success.

There will be no greater challenge than the implementation of system change brought about through system accountability. All sectors of the system of care will resist change; yet all must embrace this change if we wish to achieve significant progress. The emergency shelters may need to change their operations and to implement protocols which link their clients to services immediately upon intake into the system. State agencies may need to amend their system to place their services in the shelters, and to measure their performance on both the dimensions of the level of effectiveness, and on the speed with which clients receive their services. And we must hold our federal partners accountable as well. We will likely find that one sector of the system of care will believe it is appropriate for the other sectors to be accountable. Our best hope for success in this area will be to identify this as a high priority item at the outset, and to lead by holding ourselves accountable.

We will need to create our structure for the implementation of the state's Action Plan to End Homelessness. It is this same structure that will need to be designed to effect system change. Certain elements must be in place for this to be effective: leadership at the highest levels of state government, champions at the local levels from the nonprofit service providers and shelters, leaders from the local DHS and CMH systems, and buy-in from the local provider community which will stem from their belief that it is worth their time to take on one more commitment. Ideally, this system should build on, and from, other local structures such as the community collaboratives, and Continuums of Care. We must demonstrate visible and immediate successes to reinforce the benefits of participation. There will need to be a long-term commitment for this to be successful.

Again it should be noted that ending homelessness in Michigan is an achievable goal through a well-planned, sustained long-term effort, with all partners working together toward this common goal.

Homeownership

Our activity in the area of homeownership falls into two categories: first is our purchasing of single family loans and corresponding issuance of single family bonds which impacts our financial stability; second is our participation in a series of initiatives, some external to MSHDA, to further the policy objective of expanding homeownership opportunities.

Single family loan purchasing

The changes in income and purchase limits through last year's legislation, combined with the staff's work to streamline processes has resulted in an increase of more than 100% in single family loan purchases. Given changes in Michigan's apartment rental market, MSHDA would be well served to diversify our revenues by increasing our single-family loan portfolio.   To that end, we will explore three strategies.

First, MSHDA will examine our network of relationships with the lending and real estate community to determine how we can better meet their needs. We will adopt a relationship model to assure that we are responding to their needs in an ongoing fashion and to continually market our products directly to these two partner groups continually.   This will require additional staffing, and a new model for existing staff since they will be going out to visit lenders and realtors regularly. We will also explore the idea of having regional champions for our lending programs.

Second, we will look at our technology to determine whether we can enhance our web-based purchasing interface. A team of MSHDA partners and staff visited Massachusetts this fall to view the web-based product there, which is considered a top shelf product. We are currently looking at using this product to provide a better way to reach realtors, bankers, and first time homebuyers.

Third, we will explore the prospect of creating new products: examples might include an interest only product or a variable rate product. To accomplish this will require better data about the single-family loan product market than MSHDA currently collects.

All of these strategies to increase production rely on increased staffing. If we are unable to add new staff, we will pursue limited changes in our single-family area.

Targeted initiatives to expand homeownership opportunities

We will participate in a series of initiatives to increase homeownership opportunities. Currently, MSHDA offers the Key to Own program, which merges the Family Self Sufficiency program (for building up a down payment), with the use of Housing Choice Vouchers for homeownership. This program now serves persons with incomes below 40% AMI.   We are not likely to significantly expand this program because it is so staff intensive, and because these vouchers are the principal resource dedicated to our poorest citizens here in Michigan. However, we will explore whether a small percentage of this resource can be used to create homeownership opportunities for a population that would not otherwise ever be able to achieve homeownership, e.g., consumers of mental health services. This will need to be done in partnership with the appropriate service provider community.

MSHDA will continue its strong support to Habitat for Humanity to provide homeownership opportunities for persons with incomes below 50% area median income. Michigan's Habitat chapter, which may be the strongest in the country, is one of our strongest partner agencies, and we should leverage this resource to maximize our homeownership opportunities for this population. We may encourage partnerships with other umbrella organizations that have the potential to create synergy, e.g., victims of domestic violence.

We are currently in the process of reviewing the interrelationship between a series of homeownership initiatives, and programs: Links to Homeownership, Employer Down Payment Assistance, Key to Own, and Individual Development Accounts, e.g., Family Self Sufficiency. We need to determine the policy objectives we are trying to achieve through these programs, and look at how these programs can be tied together to leverage one another and reduce redundancies.

We will also provide support to the wealth building initiative in Michigan led by the Asset Building Coalition. We will explore whether we are able to link this initiative to our existing portfolio. As with Links to Homeownership, we will want to measure the level of success these initiatives achieve in creating homeownership opportunities.

MSHDA will also be aggressive in support of initiatives to increase minority homeownership. Examples include With Ownership Wealth (WOW), and FNMA's minority homeownership initiative.

MSHDA will continue to support the work of community development organizations, and community action agencies as they develop and rehabilitate single-family homes in Michigan's cities. We will support the efforts of these organizations to meet community needs, but will look to ensure that development is driven by a stated policy objective, as is the case with the recently approved Tipping Point Neighborhood program.

There are two types of capacity that we will explore over the next several years. First, training for converting mobile home parks into cooperative ownership. This model has proven one of the most successful methods for providing homeownership opportunities for the poorest segment of the homeownership market, extremely low income households (30%AMI). It is labor intensive, however, and requires significant investment in the capacity of the nonprofit agency that brings the homeowners to the point where they are able to own and manage the park as a cooperative venture. Second, there have been hugely successful homeownership efforts achieved through self-help housing organizations. If the elements exist in Michigan for this type venture, we may want to invest in its capacity. We may find that the strength of the Habitat chapter in Michigan reduces the need for this capacity. But given the ability of self-help housing organizations to reach extremely low-income homeowners, it is worth exploring.

Multifamily Housing

We have four overarching objectives that we will want to meet through changes in the area of financing multifamily housing. First, increase the number of projects and units we finance each year. Second, create more public benefit through our financing of these projects. Third, organize our programmatic approaches to better allow ourselves, our partners and the public, to understand the policy objectives we are trying to achieve. Fourth, revise our processes and operating systems to empower staff while measuring our level of performance in the area of customer satisfaction.

We will need to recognize that these objectives are, in certain instances, in conflict with one another.

Strategies to increase the number of projects and units produced

1. Structurally link the direct lending, tax credit, and pass through programs to allow periodic staff reviews intended to find efficiencies in deal structures to allow deals which use less subsidy under alternate structures e.g., 4% credit deals, to move to the program using less subsidy, thereby allowing more other potential deals to use the freed up subsidy

2. When designing or modifying programs, use the principle of maximizing deals as a major criteria for both structure of program and for establishing timelines for deal approval process. We will still need to balance these criteria with delivery of public benefit.

3. Measure speed of processing applications from intake to closing.

4. Track ourselves vs. 100% utilization of LIHTC, tax exempt bonds, and subsidy.

5. Where applicable, blend taxable with tax-exempt to achieve higher rate of bond resources.

6. Review pass-through program and unenhanced bond offerings, and determine how these support or serve at cross-purposes to MSHDA financing programs and policy objectives. Clarify obligations with underwriters, and provide caveat emptor that, under no circumstances, will MSHDA provide financial support to any project funded using these financing tools which experiences financial difficulties in the future i.e., no workout funding.

Strategies to create more public benefit and meet unmet needs

1. Provide incentives for delivery of appropriate services in new projects: childcare in family housing, IDA and homebuyer counseling, youth leadership training

2. Set-aside for Native American housing

3. Realign programs to allow financing to support Marquis projects/Cornerstone project in communities that have comprehensive downtown revitalization plan in place, e.g., Cool Cities

4. Consider set-asides, or alternate mechanism, for funding projects in challenged cities, i.e., Highland Park, Benton Harbor, and Flint.

5. Increase units dedicated to Extremely Low Income tenants (30% AMI).

6. In existing portfolio, inventory elderly projects, and link to services in every one project where appropriate.

1. In existing portfolio, inventory family housing projects and link services appropriate to population, e.g., IDA, childcare, job training and placement. Create a schedule for implementing service linkages together with the management agents, sister state agencies, and service providers.

2. In existing portfolio, work with HUD, local PHAs, the Michigan Housing Council, and applicable owner/manager groups, link underserved populations to vacant apartments, with appropriate services, e.g., the Developmentally Disabled, the homeless.

3. Work with aforementioned groups as we put a housing locator system online.

4. Explore committing project-based vouchers for apartments restricted to 15% AMI upon intake

Strategies to align programs with Policy Objectives

1. Create the case for family housing and organized programs to meet this underserved need.

2. Create the case for workforce housing and organize programs to meet this need.

3. Create the case for elderly housing and organize programs to meet this need.

4. Create niches within multifamily programs to help special needs populations.

Strategies to empower staff and to achieve higher level of performance

1. Delegate lending authority to staff, with controls appropriate to level of risk; this change will be subject to review and approval by the Real Estate Subcommittee and full Board.

2. Designate Housing Development Officer (HDO) as point person on new deals or Asset Managers as point person on applicable deals.

3. Measure customer satisfaction on the dimensions of communication, speed of loan processing, and transparency of process.

4. Publish a statewide housing study, which details level of needs in markets to provide better direction to our partners. Additionally, we will need to provide updates to this report which reflect changing economic conditions in local economies, such as plant closings.

5. Expedite market analysis and provide clear feedback to partners on findings.

6. Have deals reviewed early by loan committee to provide direction to staff and partner.

7. Where appropriate, grant flexibility to HDO in deal structuring.

Secure the highest level of training possible to all members of the underwriting team.

Preservation of Federally Assisted Housing

Due to the elimination of the federally funded project-based new construction program in the early 1980s, and the funding for the companion rural program in the 1990s, the housing stock reserved for the poorest members of our society has not been produced since the termination of these funding sources. As a result, the only significant housing stock available for people at or below federal poverty level are the roughly 100,000 apartments in Michigan, which were funded through these defunct federal programs. Since these units were constructed twenty to thirty years ago, the buildings are often in fair to poor condition. And, in areas where there is a strong housing market, these projects may convert to market rate rentals or condominiums, thereby displacing tenants, and removing the stock from the affordable housing inventory. No additional federal resources are available to address this growing problem. As a result, MSHDA is forced to use existing resources for preservation, thereby reducing resources to provide for the production of new affordable housing.

Our three principle objectives in this area will be to 1) evaluate the complete state inventory and prioritize those projects most at risk, 2) create efficiencies in financing models to preserve the maximum number of these projects, and 3) design programs or initiatives which incorporate features to provide the maximum public benefit to the residents.

Establishing baseline inventory

We will need to list every project in the state of Michigan, which fits into any of the following categories.

1.   MSHDA portfolio

2.   HUD inventory

3.   Rural Development inventory

4.   Year 15 tax credit projects

It should be understood that, although these categories form a logical method for defining the universe of federally assisted projects, these assets often fall into more than one category.

Prioritizing projects most in need of preservation

There are three categories of projects, which should be prioritized. First are the projects, which would likely be lost to the private market due to cannibalization, caused by high rents or condominium sales prices in high-end markets. The second type are those that are in such need of capital investment that they will soon pass the point where it makes sense to invest resources to bring them back to a quality level where we feel the investment would last until a corresponding bond issue expires. The third category of projects are assets which are already in the MSHDA portfolio.

We have already created and the staff is currently implementing our preservation program for projects in the MSHDA portfolio. With these projects, we will want to move to finance as many of these as possible which we assess as having a high probability of refinancing with a conventional lender for three reasons. First, these assets form the most significant portion of

our balance sheet and earning asset base which supports our business. Second, these assets free up subsidy from reserves to fund additional activities through our Community Development Escrow Fund. Third, recapitalization of these assets provides additional mission benefits to our residents in the form of rehabilitated apartments, and extended periods of affordability.

As for non-MSHDA projects, in both of the instances above, the design of programs, and decisions as to which assets to preserve is not a simple matter of creating a cookie cutter program through which sponsors should apply. In the case of a project in a high-end market, the level of resources needed to preserve the asset may have already passed the point where we would be willing to invest. Conversely, in the case of weak rental markets with buildings in need of very significant levels of capital investment, we may be better served to allow tenants to receive vouchers and move out of the project.

The preservation workgroup has adopted a triage approach to determining which assets to prioritize. Once this is completed, we will need to run budgets which determine how we can maximize the number of apartments preserved using the most efficient use of resources. In general, the deal structures will be 9% competitive credit deals with taxable bonds, 4% credit deals with tax exempt bonds, and deals with assumed mortgages and/or boutique federal financing programs, e.g., Rural Development pilot program. At the end of this process we will want to offer multiple financing options and establish a structure that allows the staff to divert projects to the most efficient use of resources. We will allow staff to use HOME funds judiciously on a case-by-case basis.

Additionally, we will want two additional program offerings: 1) walk in financing for projects that require no subsidy. Such projects use only bond cap and provide an earning asset base which supports our business, and 2) boutique programs that take advantage of federal subsidies, e.g., the RD pilot and RD vouchers, HUD note sales.

Strategies to incorporate features which provide maximum public benefit to residents

Programs should provide for a significant portion of any rehabilitation to occur inside the apartments to provide a direct benefit to the tenant, e.g., updated kitchens and bathrooms, new carpets.

We will move to link appropriate services to this housing as cited above under the Multifamily Housing section, with the understanding that providing these services to the federally assisted portfolio is much more ambitious due to the scale of the portfolio.
The task of linking these services will best be accomplished through a partnership with HUD, the Public Housing Authorities (PHAs), the applicable state service agency, the management agents, and partners such as the Michigan Housing Council.

Supportive Housing

There are many special needs populations in Michigan with unmet housing needs: victims of domestic violence, consumers of mental health services, persons with developmental disabilities, persons with mental retardation, youth in transition from foster care, the chronically homeless, persons with traumatic brain injuries, to name a few. In general, these populations qualify at the Extremely Low Income level (30% AMI). As a result, the financing of housing for these populations requires a significant level of subsidy. There is also overlap between these populations and the people who spend time in our emergency shelters; it is therefore logical to have our supportive housing initiatives structurally linked to our campaign to end homelessness.

Due to the unique requirements of these populations, their link to the homeless problem, and the extraordinarily challenging nature of housing developments for these folks, MSHDA has created a division to focus on supportive housing and ending homelessness. We now must create a series of housing programs (or set-asides or incentives within programs), which will promote the creation of supportive housing in an ongoing fashion.

Our major objectives in the area of supportive housing are: first, to create financing programs for the production of new supportive housing; second, to create incentives or set-asides within multifamily programs to provide for apartments to be rented to special needs populations; third, to link existing apartments within multifamily housing to special needs populations; fourth, to maximize the amount of federal and private subsidy available for this type of housing; fifth, to create an approval process that assures appropriate social services will be made available to tenants; sixth, to address capacity needs for successful housing projects.

Production programs

There is a demand for ongoing financing programs for special needs populations. We will want to offer multiple programs to allow the most efficient use of our subsidy resources, which will help us finance more apartments. We may want to offer one program with long term fixed rate financing in the form of 501 c3 bonds for sponsors with a revenue source to cover housing costs (for refinancing of existing housing, or financing of new housing where the state is responsible for housing costs such as prisoner reentry). A second offering could be severely discounted interest rate, fixed rate debt for 501 c3s, which can make these deals work because they have access to some level of state or federal resources for housing costs, e.g., youth in transition. Finally, there will be a need for offerings of 100% subsidy (typically via RFPs).

As we make financing available, we will want to provide corresponding public awareness announcements. For example, when we propose an RFP for victims of domestic violence, we will want to work together with the umbrella organization to inform the public of the benefit of this housing.

Incentives or set-asides within existing programs

Currently, service providers for several special needs populations believe that the ideal housing model for their target population is scattered site permanent housing units; they may even oppose supportive housing that is congregated. As a result, one effective method of achieving

the policy objective of scattered site housing is to distribute it within multifamily housing projects as they are financed. MSHDA has been providing incentives for this type of housing production within our Qualified Allocation Plan. It would also be possible to provide similar incentives in other multifamily housing programs. Another example of this type of incentive is the rate concession that is offered in MSHDA's recently announced Preservation Program. We may also wish to explore providing some project-based vouchers for developments that will set-aside apartments for persons with special needs.

Use of existing multifamily housing

The recent effort to locate apartments for Hurricane Katrina evacuees resulted in 3,500 apartments being made available to DHS county administrators. This exercise demonstrated the need for, and value of, a housing locator system. Having ongoing access the vacant affordable housing apartments across the state could allow us to help a series of populations who have heretofore experienced difficulty attempting to locate apartments in multifamily housing projects. We will want to pursue an initiative together with our partners in the Michigan Housing Council, and management agents to assure ongoing access to this resource.

Maximizing federal and private subsidies

We will want to track the federal subsidies made available for supportive housing, and assure that we achieve full access. These include Section 811 funding, Section 202 funding, Section 202 conversion funding, McKinney permanent bonus funding, Veteran's housing funding, etc. We will also want to put incentives in place for Continuums of Care to convert service renewal projects to alternate funding sources.

In the area of private subsidies, we will need to advocate for the Federal Home Loan Bank Board Affordable Housing Program criteria to favor supportive housing projects. We will also want to advocate, where appropriate for foundation investment in supportive housing initiatives.

Given the high level of subsidy needed for these projects, we will also want to pursue a request for state subsidy at the appropriate time.

System to assure service commitment

MSHDA, DHS, and DCH meet regularly to discuss issues related to homelessness and supportive housing. We will want to formalize this process with a Memorandum of Understanding. Additionally, where applicable, we will want a signoff which explains how services will be made available to tenants in supportive housing projects as financing is approved.

Capacity needs

Although supportive housing projects are often small, their capacity needs are great. We will need to evaluate how we can provide for sufficient capacity through a combination of capacity grants to nonprofits and/or technical assistance contracts to expert third-party organizations.

Voucher Strategies

The roughly 40,000 housing choice vouchers in the state of Michigan represent the single largest housing resource dedicated to the poorest members of our citizenry. It is our safety net. As a result, we need to adopt policies and practices which increase the prospects of this resource ending up in the hands of the most destitute. Easier said than done.

We have begun to pilot a Homeless Preference in some jurisdictions, but the quantity of vouchers committed has been so small that it would be difficult to argue MSHDA supports this policy direction in a meaningful fashion. If we genuinely wish to pilot this activity, we will need to commit vouchers on a scale that would allow us to determine its effectiveness. The Family Homeless Policy Academy will be recommending a commitment of vouchers for homeless families. At the same time, we will also be examining a commitment of vouchers for the chronically homeless.

The voucher program pushes all housing authorities to make difficult decisions between competing policy choices. Since MSHDA, like other authorities, has a limited pool of funding from which to pay for vouchers, we can choose to provide ten vouchers for people making $8,000/year or twenty vouchers for people making $16,000/year. We can even use the funds to help people earning $20,000/year to become homeowners. And all of these people need our help.

There are factors, however, that make our selection of policy objectives somewhat easier. As for homeownership, there are other options available to persons at the income levels we can help with this resource, such as Habitat for Humanity, or Rural Development subsidized homeownership opportunities. The presence of these alternative resources, along with the presence of asset building programs for persons of very low incomes, makes it easier to restrict the voucher resource to tenants as the primary beneficiaries.

In selecting our threshold income level for providing vouchers, we will be using the test of whether the tenant is at or below Federal Poverty Level at intake. MSHDA would benefit from having a policy that all persons who receive a housing voucher are at or below Federal Poverty Level at intake. From a practical standpoint, we may end up wanting to use a percentage of the Area Median Income such as 15% Area Median Income.

There are a host of issues to work through while bringing about this change. First, there a series of technical issues related to administration (for example, how 15% AMI in different parts of the state relates to the average rent). Second, our fee structure for agents promotes using this resource for higher income households, and this will need to change. Last, there will be partners who believe we should use the vouchers for higher income households, and may resist changing the use to people needing this resource as a safety net.

Our voucher program will be linked to appropriate services that allow tenants to address service needs, and to promote growth which may help the tenant move off from public assistance. We will link our voucher program structurally to asset building programs, and give every tenant the opportunity to participate. We will also select a small number of services which should be offered to voucher holders. Examples might be food assistance, case management, education, and job training and placement. In doing this, we will need to measure our success rate in linking voucher holders to services, along with the number of tenants who are able to become self sufficient. Implementation of the initiative to provide a higher level of service linkage to

voucher holders will be a partnership with the nonprofit service providers, and our sister agencies.